

ST 02-0003-PLR 01/25/2002 MANUFACTURER'S PURCHASE CREDIT

Purchasers of manufacturing machinery and equipment that qualifies for the manufacturing machinery and equipment exemption earn a credit in an amount equal to a fixed percentage of the tax which would have been incurred under the Use Tax or Service Use Tax. See 35 ILCS 105/3-85, 35 ILCS 110/3-70. (This is a PLR). This PLR rescinds letter ruling ST 01-0006-PLR

January 25, 2002

Dear Xxxxx:

This Private Letter Ruling, issued pursuant to 2 Ill. Adm. Code 1200, is being sent to rescind Private Letter Ruling ST 01-0006-PLR previously sent to you on February 15, 2001. Please be advised that the Taxpayers' Bill of Rights extends specific rights to taxpayers. Section 4(c) of the Taxpayers' Bill of Rights directs the Department to abate taxes and penalties assessed based upon erroneous written information or advice given by the Department. Consequently, you will not incur tax liability as a result of your reliance upon the specific provisions of our prior correspondence. However, upon your receipt of this Private Letter Ruling, the provisions of this Private Ruling shall become binding.

After further review of the situation described in your previous letter, it has been determined that the molds and dies that AAA purchases are special order purchases pursuant to the provisions of Section 130.2115(b). Therefore, pursuant to the regulation, the Service Occupation and Use Tax Acts apply. Section 3-70 of the Service Use Tax Act states, in part, as follows:

If the serviceman's billing to the service customer separately states a selling price for the exempt manufacturing machinery or equipment or the exempt graphic arts machinery and equipment, the credit shall be calculated, as otherwise provided herein, based on that selling price. If the serviceman's billing does not separately state a selling price for the exempt manufacturing machinery and equipment or the exempt graphic arts machinery and equipment, the credit shall be calculated, as otherwise provided herein, based on 50% of the entire billing. If the serviceman contracts to design, develop, and produce special order manufacturing machinery and equipment or special order graphic arts machinery and equipment, and the billing does not separately state a selling price for such special order machinery and equipment, the credit shall be calculated, as otherwise provided herein, based on 50% of the entire billing. The provisions of this paragraph are effective for purchases made on or after January 1, 1995. The percentage shall be as follows:

- (1) 15% for purchases made on or before June 30, 1995.
- (2) 25% for purchases made after June 30, 1995, and on or before June 30, 1996.
- (3) 40% for purchases made after June 30, 1996, and on or before June 30, 1997.
- (4) 50% for purchases made on or after July 1, 1997.

Under these provisions, in order to calculate the manufacturer's purchase credit on AAA's molds and dies, you should calculate tax on 50% of the serviceman's billing and then divide that amount in half.

I hope this information is helpful. The Department of Revenue maintains a website, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Melanie A. Jarvis
Associate Counsel

MAJ:msk